

**IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 14, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, January 14, 2010 at the Stoney Creek Inn and Conference Center, Johnston, Iowa. Commission members present were: Greg Seyfer, Chair; Toni Urban, Vice Chair; and members Kate Cutler, Andrea Harrison and Paul Hayes.

Chair Seyfer called the meeting to order at 8:00 AM and requested a motion to approve the agenda. Commissioner Cutler moved to approve the agenda as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer moved to Executive Session, which was being held pursuant to Iowa Code Section 21.5(1)g for the purpose of receiving Division of Criminal Investigation (DCI) background reports. Commissioner Hayes moved to go into Executive Session for the purpose previously stated. Commissioner Urban seconded the motion. The roll call vote was 5-0 in favor of going into Executive Session. Mr. Ketterer requested that anyone present not affiliated with IRGC or the DCI leave.

Upon reconvening in open session, Chair Seyfer moved to the approval of the minutes from the November 12, 2009 Commission meeting. Commissioner Urban so moved. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer moved to Announcements and called on Jack Ketterer, Administrator for IRGC, who provided the following information concerning upcoming meetings:

- February – No Meeting
- March 4, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by February 18, 2010)
- April 15, 2010 – Ameristar Casino, Council Bluffs, IA (Submissions due by April 1, 2010)
- June 3, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by May 20, 2010)

Mr. Ketterer noted that the March meeting would be the renewal of the excursion gambling boat and gambling structure licenses. He noted that within the next couple of months, the Commission would determine meeting dates for the next fiscal year.

With regard to the application process for potential new licenses, Mr. Ketterer advised that March 23, 2010 has been established as the date for the applicants to make their presentations to the Commission. The meeting will be held at Stoney Creek Inn. Each applicant will have 45 minutes to present their project to the Commission; there will not

be a question and answer session following the presentation. At this time, it is anticipated the presentations will start at 10:00 AM, 11:00, 1:30 and 2:30 and be done by 3:30.

On April 6th, the Commission members will be receiving the DCI background reports, which is the only portion of the process that is not open to the public. That meeting will also be held at Stoney Creek and commence in the afternoon. Then on April 7th, the Commission members will visit Fort Dodge, Tama and Ottumwa by motor coach. A detailed itinerary will be provided to the contact person for each project as the date gets closer.

On April 14th, the Commission members will visit the proposed site in Lyon County. Commission members will travel to Council Bluffs via motor coach, pick up Commissioner Cutler, proceed to Lyon County and return to Council Bluffs that evening. Mr. Ketterer stated that the visits to the proposed sites will be approximately 45 minutes in length. He advised that the schedule for the presentations and site visits will be very regimented.

On May 4th, the Commission will hold a Public Hearing on the proposed projects with the Commissioners asking questions of the applicants, as well as receiving comments from members of the public on specific applicants, applicants as a whole, gambling licenses as a whole, or whatever they would like to address the Commission about. This is the first opportunity for the public to participate in this licensing process, but it occurs at a time when the most information is available. It is anticipated this will be an all day meeting. Mr. Ketterer asked that no one who is a representative of an applicant or who has previously participated on behalf of an applicant address the Commission on this date. This date is specifically reserved for those individuals of the public who have not had an opportunity to be heard. Mr. Ketterer stated that representatives of the applicants should be present for the entire time as there will be questions from the Commission members on all aspects of the applications.

On May 13th, the Commission will meet at Stoney Creek Inn for the purpose of making a decision regarding the license applications. The meeting will commence at 10:00 AM. While this will be a short meeting, each Commission member will have an opportunity to review all of the applications and explain their feelings and possibly how they intend to vote. Mr. Ketterer advised that notice of this meeting will be posted one week in advance on the website. He stated that the above dates are posted on the website as well.

Chair Seyfer moved to the next agenda item – New Applicants for Licenses – Review of Required Equity and Financing Commitments, and called on Lyon County. Dan Kehl and Ken Bonnet, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) respectively, were present. Mr. Kehl advised that a signed copy of the equity commitments to date and debt commitment from Jeffries were submitted to the Commission last week. The Iowa investor documents were submitted to the Insurance Commissioner's Office in September, with approval expected within three to four weeks;

however, the approval was not received until two weeks prior to Christmas. Investor meetings were held over the holidays in an effort to raise between \$28 and \$42 million. The week before Christmas, they collected \$15.2 million, and have collected another \$1 million via subscription. The Kehl family has committed to covering the remaining equity balance, and provided letters of commitment indicating that the funds are available. Mr. Kehl advised there is a \$70 million debt component through Jeffries. The commitment is such that they will go to the credit rating agencies for a credit rating; the credit will then be placed on the market. If Jeffries is unsuccessful in placing the credit, they are required to keep the debt.

Commissioner Cutler advised that the submission was thorough, and exactly what the Commission asked for. Chair Seyfer concurred.

Chair Seyfer called on Webster County. Natalie Schramm, CFO of Peninsula Gaming, and Steve Daniels of Webster County Gaming, were present. Ms. Schramm advised that Webster County has also engaged Jeffries & Company. In addition, Peninsula Gaming has committed the availability of one or more of the following: \$58.5 million in their revolving credit agreement, which can be increased to \$115 million; \$35 million cash on hand; FF&E financing of \$30 million or an unsecured financing basket of \$50 million.

Commissioner Urban stated that the documents were thorough and what the Commission was looking for.

Chair Seyfer called on Wapello County. Ken Mimmack, President and CEO of Ingenus of Iowa, stated they had submitted a commitment letter from SAQQARA Gruppe, L.L.C. for \$40 million, or 100% of the financing, an Addendum and a signed Memorandum of Intent amongst River Hills Riverboat Authority, the City of Ottumwa, Wapello County and Ingenus Management/Consulting, LLC, signed by representatives for the City of Ottumwa and Wapello County respectively. Mr. Mimmack advised that the SAQQARA Group provides both private equity and loan services for projects of this size up to \$1 billion.

Commissioner Hayes asked who the equity owners would be. Mr. Mimmack advised that at this time the project is 100% owned by Ingenus and SAQQARA will provide 100% of the debt financing. Equity partners are still considering joining the project, which will improve the bottom line for the project. Ingenus didn't want to be continually adding equity partners throughout the application process. There is also a commitment of up to 25% for local investors.

Commissioner Hayes noted that projections provided to the Commission indicates \$20 million in equity. Mr. Mimmack indicated that was correct, and that they have interest in excess of \$20 million; however, due to other projects in which the companies are involved, they are unable to participate at this particular time.

Commissioner Hayes asked if the other group would provide 100% of the financing. He asked if that much debt would change the projections for the project. Mr. Mimmack answered in the negative, noting that the projections would still support the project.

Commissioner Cutler asked Mr. Ketterer whether the investors that may or may not come on board later would still be subject to the 5% background investigations. Mr. Ketterer answered in the affirmative. Mr. Mimmack stated that Ingenus and the possible investors are aware of and understand that requirement.

Chair Seyfer asked if the whole process is continuing to move forward; noting that the commitment letter states in part: "... so long as the "Beneficiary" shall evidence the necessary sophisticated financial wherewithal, creditworthiness, and legal capabilities ...". Chair Seyfer asked if the necessary information had been submitted. Mr. Mimmack answered in the affirmative, stating that SAQQARA had submitted an Addendum to the commitment letter stating there are no additional equity or debt investment requirements for Ingenus to obtain the necessary financing.

Hearing no further questions or comments for Mr. Mimmack, Chair Seyfer called on Tama County. John Pavone, representing Signature Management Company and Chris Bearden, representing Tama County Enrichment, were present to address the submitted financing documents. Mr. Pavone advised that they had submitted four letters – three from Northland Securities and one from Great Western Bank in Des Moines. He stated that the project is estimated at \$45 million, with 50% covered by debt financing via traditional bank financing and bond funds, and the other 50% will be equity, insuring that the project is financially viable. Mr. Pavone stated that the license application states that up to 60% of the project will be available to Iowa investors and lenders, which is one of the reasons for the letter from Great Western Bank. They would like to have as much of the project as possible be funded by Iowa investors and lenders, and that is why the offering is structured as it is. Northland Securities was engaged approximately five or six months ago and they are diligently working to provide both debt and equity. Any equity that is not raised by Northland will be made available through the project partners and/or Iowa investors.

Commissioner Cutler asked Mr. Pavone how soon the equity investors or partner names would be available. Mr. Pavone advised that Midwest Gaming is the equity partner and they have committed to providing whatever equity is necessary should the Iowa portion of funding not be met. He advised that these partners would own less than 5%. He reiterated that the goal is to make the project as much about Iowa investors and bankers as possible. He stated that any portion of the Iowa component that is not met will be fulfilled by Midwest Gaming and Signature Management, which will represent 50% of the project.

Commissioner Hayes asked when that would be. Mr. Pavone stated they hoped to have that component completed within the next 60-90 days at the latest; that following today's meeting, Signature Management would be working with Northland to get everything

completed. Commissioner Hayes asked how the DCI would know who to background. Mr. Pavone advised that none of the Iowa equity partners would own more than 5%. The total of the Iowa offering may own up to 60% of the project, but none of the individuals would own more than 5%, allowing Signature and Midwest Gaming to maintain control of the project.

Commissioner Cutler advised that the Commission does need to see that information. Mr. Pavone indicated he understood. Commissioner Cutler stated that the information submitted does not fulfill the requirement of setting forth who will be participating in the equity and debt financing of the project.

Commissioner Hayes expressed concern about the letter submitted by Great Western Bank as it confirms their interest in providing financing but does not commit to providing funding. Mr. Pavone indicated that was correct; that Northland Securities is the main source of debt and equity financing. The letter from Great Western Bank was provided because they are an Iowa bank; and are working with a group of Iowa banks. Mr. Pavone noted that the process has happened fairly quickly. He reiterated the project's goal to provide as much opportunity as possible for local Iowa banks to participate as quickly as possible with the Northland.

Commissioner Hayes asked what Northland's process has been in seeking equity investors or debt financing. Mr. Pavone reiterated that Northland Securities has been hired to do the work, but have not started the process at this time. They will get started next Monday to provide the debt and equity. Northland has provided the commitment, but without knowing what this process was going to entail, Signature and Midwest did not want to go down the road with them and place the needed commitment funds until they were sure they were going to get past today's date and fulfill the Commission's requirements. Mr. Pavone stated that Northland is ready to go, and Signature and Midwest have had a commitment from them for approximately four months.

Chair Seyfer advised that was the reason the Commission established the initial debt and equity financing requirements. Mr. Pavone stated that it is their belief that they have met the requirements of the October 15th letter; the project is ready to go and Northland has provided a commitment for debt and equity financing, and Midwest Gaming and Signature are ready to provide the balance of any outstanding debt and/or equity financing. He indicated the start date for seeking the necessary investors is right now.

Chair Seyfer advised that the Commission intended to set a hurdle for this date and to go forward. He stated that the Commission was looking for the kind of information provided by the other applicants; that the Commission really doesn't have any information to go on regarding the debt and equity financing for this project.

Mr. Pavone advised that they have submitted a commitment letter from Northland, and the partners in the project will inject \$20 million in cash. He indicated the confusing piece is the desire to have as many Iowa investors as possible, which is the only reason

the investment has been structured in the manner it has. Mr. Pavone stated that if that portion of the financing piece needed to be removed, it could be done, which would allow them to compile a list of the partners and where the equity and debt financing is coming from. He stated that he understands the Commission members' frustration, but reiterated the debt and equity financing of the project was structured in this manner as indicated in the application submitted in November in order to make an investment opportunity available to as many Iowa investors as possible. Mr. Pavone noted that the partnership was willing to forego up to 60% of the ownership in order to allow Iowa investors to own less than 5% of the project. He again expressed a willingness to change the structure of the financing, but indicated the partners are committed to the project in terms of debt and equity. They have submitted three letters from Northland Securities, who reiterated their commitment to the project during a phone conversation yesterday.

Chair Seyfer inquired about the extent of local interest. Mr. Pavone indicated there is substantial amount of interest in the project. He advised that there have been several meetings on the other side of the state.

Commissioner Urban asked about the time frame for providing the equity partners' names. Mr. Pavone advised that he felt the information could be provided within 60 days. He stated that if they proceed with the Iowa offering, it would be somewhat more difficult to meet that time frame. Mr. Pavone indicated that he would discuss the matter with the attorney and determine how quickly the information can be pulled together. He stated that he feels the Iowa investor portion of the financing is the "fly in the ointment". Mr. Pavone again stated that they are willing to change that component of the application, but don't want to violate the Commission's rule regarding changes to the original application submission.

Commissioner Cutler stated that the Commission is not telling them to change this component, but noted that other applicants with the same type of financing component have listed all of their equity partners. Mr. Pavone stated that he would get the list. Commissioner Cutler stated that they would like the list soon; 60 days is too long.

Commissioner Harrison commended Mr. Pavone and his partners for trying to include Iowa investors, however, without the names of the investors, it is difficult to do the background checks. She noted that during the initial meeting with Commission members and staff, he stated that if at any time during the licensing process he could not provide the Commission with requested information that he would step back and not take more of the Commission's time and his company's money as well. She asked if he still stood by that statement. Mr. Pavone answered in the affirmative. He stated that a list of investors has been provided to the DCI and IRGC; however, the equity partners in Sioux City are prepared, provided that portion of the financing can not be raised through Iowa investors, to fund the balance of the \$20 million in cash. Mr. Pavone again stated that the sticking point is the Iowa investors, and the fact that they would own less than 5%, which was the goal when it was decided to make the offer. Those involved with the project felt that was doing the right thing for Iowa, even though at this point, it appears to have created some

confusion. Mr. Pavone requested time to put the equity investor list together, stating that it would be submitted to the Commission as quickly as possible. It was not their intent to circumvent the requirements established by the Commission.

Commissioner Hayes stated that the Commission needs the names of all of the investors who are committed to the project.

Commissioner Urban noted that the Commission does not meet again until March, and does not believe the Commission wants to wait that long to receive the information. Mr. Ketterer stated that the information can be submitted to the Des Moines office, which would then disseminate the information to the Commission members.

Mr. Pavone again apologized for any confusion that the Iowa component of the financing may have caused, and their belief that if the ownership was less than 5% they could pursue a public offering and provide those names at a later time. He reaffirmed the goal of getting as many Iowa investors involved in the project as possible.

Commissioner Harrison asked when the Commission might expect the information. Mr. Pavone stated that he hoped to have it submitted within 30 days, but would have to speak with the partners.

Chair Seyfer asked if those investors have been named, and if they are Iowans. Mr. Pavone answered in the affirmative. He stated that individuals connected to Midwest Gaming Group and Signature Management Group are all from Iowa, and constitute the primary investors. The goal of these two groups was to offer a larger piece of the project – up to 60% - to other Iowa investors who would own less than 5%.

Commissioner Hayes asked if the names of the Midwest Gaming and Signature Management investors were listed in the application. Mr. Pavone answered in the affirmative, and indicated they had been submitted to the DCI as well.

Chair Seyfer noted that the original agenda indicated the Commission would approve the financing documents, but decided to change it to “reviewing financing” so that the Commission could clarify the complete criteria of what they are to consider when issuing new licenses. He stated that financing will be a major component of what they will be looking at when they make their final decision.

Chair Seyfer moved to the contract approval portion of the agenda and called on Wild Rose Clinton (WRC). Tim Bollman, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase of 12 Aristocrat Viridian Games
- International Gaming Technology – Purchase of 12 IGT Multi Games
- Konami Gaming, Inc. – Purchase of 12 Konami Games
- WMS Gaming, Inc. – Purchase of 6 WMS BlueBird II Slot Machines

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-01)

Chair Seyfer called on Terrible's Lakeside Casino. Randy Bechel, Slot Manager, and Lisa Slatniske, Controller, presented the following contracts for Commission approval:

- Alliant Energy – Gas & Electric Service
- Aristocrat – Slot leases/hardware-software maint. agrees/parts/supplies
- Atronic America's – Slot leases/parts/supplies and Slot Machines
- Bally – Slot leases/parts/supplies and Slot Machines
- Citadel Broadcasting Company – Radio advertising
- Clarke County Development – Contributions for Terrible's Lakeside Casino Comm. Fund
- ColorFx – Marketing services
- Core-Mark International – Purchase for resale at the C-Store – candy, food, tobacco & supplies
- Crawford Law Firm – Legal services
- The Des Moines Register – Marketing services – advertising
- Golden Eagle Distributing – Purchase of beer for resale at casino and c-store
- Guardian Life – Life and dental insurance
- Holmes Murphy – Property/Casualty/Liability & Workers Comp Ins
- International Gaming Technology – Lease of slot machines/parts/supplies and Slot Machines
- Konami – Lease of slot machines/parts/supplies and Slot Machines
- Loffredo – Purchase fresh produce for kitchen
- Martin Brothers – Purchase food and supplies for kitchen
- Metro Fish – Purchase food for kitchen
- Global Payment Check Services – Patron check processing guarantee service
- Osceola Municipal Services – Water & sewer service
- Pepsi – Beverages for patrons/employees & resale
- Principal Financial Group – 401K Plan
- Reinhart Food Services – Food & supplies for kitchen
- Roberts Dairy – Food & supplies for kitchen – Dairy product
- Sierra Health & Life Insurance Co., Inc. – Health insurance for employees
- Spurrier Oil Co., Inc. – Fuel purchase for C-Store
- Sysco – Purchase food and supplies for kitchen
- WMS Gaming – Lease of slot machines/parts/supplies

Commissioner Harrison asked if Lakeside had considered Iowa companies for the insurance services covered by the contracts with Guardian Life and Sierra Health & Life

Insurance. Ms. Slatniske advised that the corporate office had solicited bids for the insurance for the company as a whole.

Commissioner Hayes asked if that was a “Yes”, that it was important for the Commission to know if any Iowa companies were considered since Iowa is considered to be an insurance center. Ms. Slatniske stated that she did not know the answer but would find out. Commissioner Hayes stated that as long as Iowa gets a chance to compete that is all that is necessary.

Ms. Slatniske advised that Terrible’s has had an Iowa insurance vendor in the past. The corporate office put out an RFP seeking bids for company-wide insurance coverage.

Hearing no further comments or questions for Mr. Bechel or Ms. Slatniske, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by Lakeside. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-02)

Chair Seyfer called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager, presented a contract with Koch Brothers, Inc. for an equipment lease agreement.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by RCGR. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-03)

Chair Seyfer called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, presented the following contracts for Commission approval:

- Ainsworth Game Technology – Equipment and game lease
- Aristocrat – Equipment and game lease
- Atronic/Spielo – Equipment and game lease
- Bally – Equipment and game lease
- Konami – Equipment and game lease
- WMS – Equipment and game lease
- USA Security – Surveillance equipment

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by WRE. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-04)

Chair Seyfer called on Diamond Jo Casino (DJ). Todd Moyer, General Manager, presented a contract with Paltronics for a unique slot bonusing system.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contract as submitted by DJ. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-05)

Chair Seyfer called on Mystique Casino. Jesus Aviles, General Manager, presented the following contracts for the Commission's approval:

- American Trust & Savings Bank – Increase value of construction loan
- Garda CL Great Lakes, Inc. – Armored car service – transfer of currency, coin & checks
- Pitney Bowes – Postage machine lease and maintenance agreement

Chair Seyfer asked about the construction loan increase with American Trust & Savings Bank. Mr. Aviles explained that the loan was being increased from \$25 million to \$35 million.

Commissioner Urban asked the status. Mr. Aviles advised that the renovated property is beautiful. He stated that Dubuque has two wonderful gaming facilities between Diamond Jo and Mystique. Mr. Aviles advised that their joint marketing program has been successful in growing the market.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Mystique. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-06)

Chair Seyfer moved to the agenda items for Prairie Meadows Racetrack & Casino (PMR&C), with the first item being racing dates for the standardbreds, which were deferred at the November Commission meeting.

Gary Palmer, General Manager, introduced Tom Whitney, a member of the Board of Directors and Chair of the Horse Racing Committee, and Derron Heldt, Director of Racing. Mr. Palmer asked Mr. Whitney to address the harness racing dates.

Mr. Whitney stated that PMR&C does not have an agreement with respect to the harness season for 2010. He advised that the parties have had some extensive negotiations; however, the last proposal submitted to the standardbreds called for 10 days of live racing at PMR&C for a purse of \$550,000 as discussed and directed by IRGC at the November meeting. In addition, PMR&C offered to provide \$1 million for a year to the standardbreds for the county fair races with the caveat that the amount would be reduced by \$250,000, and capped at that amount, with respect to the changeover of the track surface, which is necessary in order for the standardbreds to run at PMR&C. Mr. Whitney stated that the project had been let for bid, and if there is a bidder who meets the standards and time frames necessary for completing the project that can be offered by the

standardbreds, PMR&C would accept the bid in a formal process for the track changeover. He noted that McAninch Corporation has been successful in the bid process and performed the service for a number of years. They are the largest turf mover in the State of Iowa. The caveat for the successful bidder is that they would have to meet the terms and standards of what PMR&C expects. The standardbred association rejected this offer. Mr. Whitney stated they want to maintain the status quo with regard to what has been done in the past. He noted that while the parties had discussed the length of the contract, PMR&C was only talking in terms of the county fairs, and the parties are nowhere near reaching an agreement with regard to the offers made. At the present time, the offer is ten days of live racing at PMR&C, \$550,000 for purses and \$1 million for the county fair program with a \$250,000 cap to go toward the necessary track surface changeover.

Chair Seyfer asked how the proposed race dates would work with the race dates as set forth at the November Commission meeting. Mr. Whitney advised that Mr. Heldt had been working with the various groups with regard to race dates. Mr. Heldt advised that the dates as discussed at the last meeting would change. He stated that PMR&C has reached a tentative agreement with the thoroughbreds and quarter horses.

Commissioner Cutler asked how long the contract with the standardbreds would be. Mr. Whitney stated that it would be one year. He stated that his personal assumption as it relates to the standardbreds is that if other areas could be resolved, such as live racing at PMR&C, etc., he feels PMR&C would provide additional years of funding for the county fairs. Additionally, if the standardbreds would agree to pack the track surface versus a complete changeover, the \$250,000 could go to the county fair program.

Commissioner Harrison, noting the standardbreds had rejected PMR&C's offer, asked if they had come back with a counter offer. Mr. Whitney advised that they would like to maintain the status quo and according to a letter forwarded to the Commission, they want what they have had in the past - \$1 million for the county fairs plus a live racing schedule at PMR&C. They have expressed a desire to have an eleven-year contract, or in the alternative, a one-year contract.

Commissioner Urban asked if PMR&C had originally offered the standardbreds \$1 million per year for five years for the county fairs. Mr. Whitney answered in the affirmative. Commissioner Urban asked if that offer was still on the table. Mr. Whitney again answered in the affirmative. He went on to state that it was the Board's overwhelming view that standardbreds would not be racing in the future at PMR&C; but wanted to support the county fair program, so the initial offer was really \$1 million per year over a five year period, and in return, the standardbreds would not race at PMR&C in the future. PMR&C was willing to enter into a five year contract to support the county fair program. This offer was rejected; and the proposal just outlined was reached through further negotiations.

Commissioner Cutler asked if a meeting was scheduled with standardbred representatives to continue discussions. Mr. Whitney advised that no meeting is currently scheduled, but stated he had spoken with Jeff Lamberti, the standardbred representative, this morning about some other options. He stated that PMR&C would continue to try and find solutions to some of the problems throughout the year, and will continue negotiations and discussions with all of the horse groups. Mr. Whitney advised that PMR&C will be bringing the metrics for all of the horse groups before the Commission at the March meeting, noting that metrics had only been developed for the thoroughbreds and quarter horses. The metrics for the standardbreds will be developed and ready by March in light of the Commission's mandate that they race for ten days.

Chair Seyfer asked if anyone would like to address the Commission on behalf of the standardbreds. Royal Roland, President of the Iowa Harness Horsemen's Association, stated that he respects Mr. Whitney's opinion and efforts regarding negotiations with PMR&C. He advised that there was one particular element of what was conveyed that he was surprised to hear – the bidding for the conversion of the track. He stated that it was news to him that they were willing to accept or provide some bids or accept bidding for the conversion of the track and that it could be some amount less. The negotiations and discussions up to this point were that there had been some bidding done in the past, not for 2009, and that those bids were still in effect and there was no discussion about putting it out for bid for the upcoming year. It was his understanding that the standardbreds could take the \$750,000 and convert the track, or take the \$1 million and pack the track.

Mr. Roland stated that as far as what was going to happen in the future, Mr. Whitney conveyed that he had been in contact with Mr. Lamberti about an extended contract. Mr. Roland advised that happened approximately 15 minutes ago. He stated that he was highly offended by the unwillingness to hold discussions and then the conveyance to the Commission that they are willing to have discussions.

Commissioner Urban asked who Mr. Roland takes the information back to – Board, Association, etc. Mr. Roland advised there is a nine member board of director, three of whom make up the negotiation committee.

Commissioner Hayes asked if the negotiation committee had the authority to make decisions during the process. Mr. Roland answered in the affirmative.

Commissioner Urban stated that based on Mr. Roland's comments, she is assuming that it is the track that is causing the problems – compacting, packing, or whatever. She asked if that was the major concern. Mr. Roland stated that the problem is the cost. Commissioner Urban stated that the Commission has encouraged all of the tracks and casinos to seek competitive bids for whatever services are needed, and doesn't see that as a problem.

Commissioner Cutler stated that any contract totaling \$100,000 or more would come before the Commission for approval. She noted that if they didn't go out for bid last

year, she wondered if the Commission saw a contract last year. Mr. Ketterer answered in the affirmative.

Mr. Palmer advised that the same company has performed the services for the last 2-3 years. He noted that there are time constraints in changing the track surface and that it requires sophisticated satellite equipment for the radius of the track. Mr. Palmer indicated there are three or four companies that could potentially bid on the project, but that not just any company would meet the standards for performing the work.

Mr. Lamberti stated that he believes the issue for the standardbreds is that they feel there may be a potential for some savings, but don't know that for sure, nor will they guarantee that there is. The real issue is who will be responsible for the cost. In previous negotiations, the parties have agreed to the ten days and a reduction in purses, which amounts to a 17% reduction in support for the industry. It is their opinion that PMR&C could realize some savings by putting the process out for bid, but that the cost of the changeover should be the responsibility of the track. If the horsemen accept the \$250,000 reduction in county fair support, then they are looking at a 30% reduction in support for the industry. Mr. Lamberti stated that the standardbreds' proposal does provide some significant savings in terms of the reduction in racing days and that they would attempt to find additional savings without burdening the standardbred group with an additional reduction in support.

Commissioner Urban stated that the problem the standardbreds are facing is that they don't have the same kind of audience as the other breeds; and don't provide any income from bets as a result of that, and that is the issue for PMR&C and the Commission.

Mr. Lamberti stated that he and the standardbred horsemen understand that, and understand the need for cost reductions/savings; but would prefer the status quo for 2010. They knew that was unlikely to happen, but did work to try and locate some cost savings. He indicated their willingness to continue negotiations.

Commissioner Hayes advised the standardbred group to keep negotiating.

Commissioner Harrison asked if the standardbred horsemen would be involved in drawing up the metrics. Mr. Whitney answered in the affirmative, stating the track representatives would be meeting with representatives of all three horsemen's groups over the next 10-14 days to get their input. Commissioner Harrison asked Mr. Whitney about Mr. Roland's statement regarding negotiations. Mr. Whitney stated that his last conversation with Mr. Lamberti had taken place earlier in the morning at the Commission meeting. He stated that PMR&C's Board of Directors is prepared to meet and negotiate; they have never denied meetings or negotiations at any time for the purposes of resolving some of the issues. Mr. Whitney indicated that a consequence of that philosophy over the past year is that they may have raced through some issues being presented today with respect to the quarter horses and thoroughbreds. He expressed PMR&C's hope that all issues had been resolved, but indicated the Board's willingness to continue discussions in

the event they are not. Mr. Whitney stated that he didn't want to dwell on the track surface, but pointed out that changing the surface benefits the standard bred, according to a representative, in the approximate amount of \$300,000, but costs the track in excess of \$350,000 to change the track surface. PMR&C is simply saying that the standard bred is the direct beneficiary of the change, that it is expensive for the track, who does not receive any benefit from the change. Mr. Whitney stated that PMR&C is not asking the standardbred to cover the full cost of the change in the surface, and have agreed to cap their cost at \$250,000. He advised that RFPs for this project were last put out two years ago, and all of those contracts did come before the Commission for approval.

Commissioner Cutler asked Mr. Ketterer if PMR&C and the standardbred didn't have an agreement by the March meeting if the Commission would then tell PMR&C what to do. Mr. Ketterer advised that the race dates need to be resolved today in order to establish purses, get printed material out and meet other deadlines the Racing Department is facing. He noted that any agreements that include purse supplements have to be submitted simultaneously by law. If PMR&C has agreements addressing other issues – long-term plans, number of racing opportunities, racing dates, etc. – that they want to submit, those can be submitted individually. Mr. Ketterer pointed out that there is nothing about agreements on the agenda for today's meeting.

Commissioner Cutler again asked if PMR&C and the standardbred reach a point where they have not come to an agreement if the Commission would make the decision for them. Mr. Ketterer stated that the Commission would make the decision with regard to purses. Chair Seyfer stated it was his understanding that, procedurally, the Commission needs to establish the racing dates for PMR&C. Commissioner Cutler asked if that would be for all three breeds. Mr. Ketterer answered in the affirmative. There was a brief discussion as to what racing dates were being decided.

Chair Seyfer noted that the harness dates had been deferred at the January meeting. He reminded everyone that the Commission does not have any authority or jurisdiction over what PMR&C does with the county fair races or the supplement, but can establish racing dates at PMR&C if there is no agreement. There was a brief discussion as to the number of harness racing days at PMR&C. It was decided to establish ten racing days for the standardbred at the track. Chair Seyfer stated that he thought PMR&C and the standardbred representatives has reached an agreement for ten days.

Mr. Heldt advised that if the Commission would take up the amended race dates for the thoroughbreds and quarter horses, the dates for the standardbred would fall into place. Hearing no concerns from the Commission, Chair Seyfer deferred the standardbred dates until after the amendment of the race dates for the other two breeds.

Chair Seyfer moved to the next agenda item for PMR&C – Request for Revision of 2010 Thoroughbred and Quarter Horse Racing Dates. Mr. Palmer advised that since January's meeting, PMR&C representatives have had an opportunity to meet with representatives of the thoroughbreds and quarter horses and reached a tentative agreement that Mr.

Whitney will present to the Board for a vote. The tentative agreement calls for 67 days of thoroughbred racing and 26 days of quarter horse racing in separate meets. He stated that part of the agreement is that the parties have agreed in principle to a five year contract with the thoroughbreds and a three year contract with the quarter horses. Mr. Palmer asked for representatives from the thoroughbreds and quarter horses to verify the agreement.

Tom Levis, legal counsel for the thoroughbreds, noted that since last November the parties have been negotiating, and have reached an agreement for 67 days of racing starting around April 24th and ending around August 7th. They have agreed to a five year contract and a reduction in the purse amount to 83%.

Commissioner Urban asked if the race days could be manipulated at a later date if the need arises. Mr. Palmer answered in the affirmative, stating that it is PMR&C's intention upon the completion of the hotel to race on Saturday and Sunday.

Chair Seyfer asked if the Commission was ready to determine race dates for the standardbreds. Mr. Heldt, referring to the proposed racing calendar for the thoroughbreds and quarter horses, stated that the standardbred races could be held on October 1-2, 4-5, 8-9, 11-12 and 15-16. Chair Cutler noted those are Friday, Saturday, Monday and Tuesday dates. Mr. Heldt stated that is similar to what they have done in the past.

Chair Seyfer called for any further questions. Commissioner Cutler stated that she would like to hear from a standardbred representative. Mr. Lamberti stated there needed to be some clarification regarding the meet. He noted that as part of the overall negotiations, they did agree to the ten day meet, but that the county fair funding is somewhat in jeopardy. He indicated they tried to look at the overall picture during the negotiations, and as part of that, they did agree to the ten days; however, they don't want to be on record as agreeing to the ten days, they would prefer 16 days of racing at PMR&C.

Chair Seyfer stated that PMR&C does not have any agreements with any of the breeds at this time so it is necessary for the Commission to set the racing dates and purses for the three different breeds. He stated that it is his understanding that the thoroughbreds will have 67 days of racing, the quarter horses will have 26, and the standardbreds will have ten. Purses will be \$550,000 for the standardbreds, with the remaining amount being distributed as follows: 83% for the thoroughbreds and 17% for the quarter horses.

Chair Seyfer called for any further comments from the Commission. Hearing none, he requested a motion. Commissioner Urban moved to approve the race dates and purses as set forth above. Commissioner Harrison seconded the motion.

Commissioner Cutler again asked if the parties did not reach an agreement if they could make changes. Mr. Ketterer stated that no further changes can be made to the race dates or purses for the 2010 race meet.

Commissioner Hayes stated that he hoped the standardbred representatives listened to PMR&C; that it sounds like they are trying to work the situation out.

Chair Seyfer noted that the motion had been moved and seconded, and called for the vote. The motion carried unanimously. (See Order No. 10-7)

Chair Seyfer moved to the Long Term Racing Plan/Metrics. Mr. Palmer stated that the Ray/Reed study established some benchmarks for a metrics and evaluation system. He noted that PMR&C plans to work with the breeds over the next 10-14 days to set forth their benchmarks and be ready to submit a draft to the Commissioners in March.

Chair Seyfer moved to the Hotel Update. Mr. Palmer advised that the project is progressing, and the committee is meeting at least twice a week. He stated there are several banks that are meeting with Kineth Hospitality. It is hoped that they will be able to break ground in May, and hope to have it completed in June 2011. The holdup at this point is the financing. Mr. Palmer stated that he would like to show the Commission concept and grade drawings at the March meeting.

Chair Seyfer moved to the season approvals for the thoroughbred and mixed meets. Mr. Heldt advised that the revised racing calendar would need to be inserted in the plan.

Chair Seyfer called for any questions or comments concerning the submission. Hearing none, he noted there are some staff recommendations that need to be included in the motion.

Commissioner Hayes moved to approve the season approvals for the thoroughbred and quarter horse meets, including the following staff recommendations:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.
- Prior notification and approval of any schedule changes: race days, post times, or the number of races.
- Continuing compliance with conditions entered into the record at the November 2009 Commission meeting.

Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-8)

Chair Seyfer moved to the contracts submitted by PMR&C for approval. Mr. Palmer submitted the following contracts for Commission approval:

- Acme Printing – Printing services
- Des Moines Register – Advertising and subscription expense

- Giesecke & Devrient America, Inc. – Cash handling equipment
- Wellmark Blue Cross Blue Shield of Iowa – Employee medical insurance

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-9)

Commissioner Urban asked how long the contract is for the dates just approved. Chair Seyfer advised there is no contract. Mr. Ketterer stated that the dates are for 2010 only.

Chair Seyfer moved to Public Comment. Ed Shaffner stated that after hearing some of the comments today and being made aware of some things that he did not know were happening that he had a few comments. He prefaced his comments by noting the number of years individuals fought to get pari-mutuel racing in Iowa. He stated that the enemy at that time was the Knights of Aksarben, now the enemy is from within. He stated that the IRGC, who would not be here if not for racing, needs to step up and regulate. Mr. Shaffner stated there needs to be an accurate accounting of everything; he called for the State Auditor to audit PMR&C and decide where everything should be allocated. He stated that although he had tried numerous times, without success, to get a breakdown of any expenses. He asked what the profit was on the non-existent hockey games downtown, the Bass Pro Shop, and races at Newton. He noted there is nothing in the Iowa Code that requires horse racing to make money. Mr. Shaffner stated that PMR&C is here because of the horses, not in spite of them. He stated that Mr. Whitney indicated that he had not received letters from any of the supporters of racing or anyone else. He pointed out that PMR&C had two meetings where people got up and read letters. He stated that he had submitted a signed petition from the horse players in Iowa, most of whom are Prairie Gold Club members, to the Board with a list of things that could be done to improve racing in Iowa. Mr. Shaffner stated that the situation at PMR&C is a charade and that it is time for the Commission to stand up and regulate PMR&C. He stated that he did not know what they did not understand about not coming with signed contracts for today's meeting; that was his understanding from the last meeting.

Chair Seyfer moved to Administrative Business. He stated that the IRGC has determined probable cause to believe that action should be taken as to the occupational licenses issued to Lawrence Dale Bain under Iowa Code Chapters 99D and/or 99F. The contested case hearing shall be held on March 3, 2010 before the IRGC. The hearing shall be at 1:00 PM and located at Stoney Creek Inn in Johnston, Iowa.

Chair Seyfer called for any further business to come before the Commission. Hearing none, he requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK